



FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System.

SUMMARY: Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact

(202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs,
Office of Management and Budget, New Executive Office Building, Room 10235, 725
17th Street, NW., Washington, DC 20503.

SUPPLEMENTARY INFORMATION:

Final approval under OMB delegated authority of the extension for three years, without revision, of the following reports:

1. *Report title:* Notice of Mutual Holding Company Reorganization and the Application for Approval of a Minority Stock Issuance by a Savings Association Subsidiary of a Mutual Holding Company.

Agency form number: Form 1522; Form 1523.

OMB control number: 7100-0340.

Frequency: On occasion.

Reporters: Mutual savings associations and savings association subsidiaries or subsidiary holding companies of a mutual holding company.

Estimated annual reporting hours: Form 1522: 400 hours; Form 1523: 1,050 hours.

Estimated average hours per response: Form 1522: 400 hours; Form 1523: 350 hours.

Number of respondents: Form 1522: 1; Form 1523: 3.

General description of report: Forms 1522 and 1523 are mandatory and authorized pursuant to section 10 of the Home Owners' Loan Act (HOLA). Section 10 of HOLA ("Regulations of holding companies") provides generally that "[t]he Board is authorized to issue such regulations...as the Board deems necessary or appropriate to enable the Board to administer and carry out the purposes of this section, and to require compliance therewith and prevent evasions thereof." (12 U.S.C. 1467a(g)(1)). With respect to mutual holding companies, HOLA states that a mutual holding company "shall be subject to such regulations as the Board may prescribe." (12 U.S.C. 1467a(o)(7)). Section 10 of HOLA also requires a savings and loan holding company to file "such reports as may be required by the Board" and provides that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require." (12 U.S.C. 1467a(b)(2)).

The information on Forms 1522 and 1523 generally are not considered confidential. However, the notificant or applicant may request confidential treatment for portions of these forms pursuant to exemption 4 of the Freedom of Information Act, (5 U.S.C. 552(b)(4)) if it believes disclosure of those portions would likely result in substantial

competitive harm. All such requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

Abstract: Any mutual savings association that wishes to reorganize to form a mutual holding company must submit a notice (Form 1522) to the Federal Reserve. The notice provides details of the reorganization plan, which is to be approved by the majority of the association's board of directors and any acquired association. Details of the reorganization plan should contain a complete description of all significant terms of the proposed reorganization, shall attach and incorporate any Stock Issuance Plan proposed in connection with the reorganization plan, and comply with other informational requirements specified in (12 CFR 239.6).

Any savings association subsidiary or subsidiary holding company of a mutual holding company must file an application (Form 1523) for minority stock issuance. Minority stock issuances applications are required to provide the Federal Reserve with information to determine whether mutual holding companies and their subsidiaries are conducting insider abuse or unsafe and unsound practices.

The Federal Reserve intends to update and revise the Notice and Application to conform to Federal Reserve standards in the near future.

Current Actions: On June 17, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 34641) requesting public comment for 60 days on the extension,

without revision, of the Notice of Mutual Holding Company Reorganization and the Application for Approval of a Minority Stock Issuance by a Savings Association Subsidiary of a Mutual Holding Company. The comment period for this notice expired on August 17, 2015. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

2. *Report title:* Application for Conversion, Proxy Statement, Offering Circular, and Order Form.

Agency form number: Form 1680, Form 1681, Form 1682, Form 1683.

OMB control number: 7100-0335.

Frequency: On occasion.

Reporters: Mutual holding companies.

Estimated annual reporting hours: Form 1680: 2,990 hours; Form 1681: 50 hours; Form 1682: 1.50 hours; Form 1683: 10 hours.

Estimated average hours per response: Form 1680: 299 hours; Form 1681: 500 hours; Form 1682: 150 hours; Form 1683: 1 hour.

Number of respondents: Form 1680: 10; Form 1681: 10; Form 1682: 10; Form 1683: 10.

General description of report: The mutual stock conversion forms are mandatory and authorized by Home Owners' Loan Act (HOLA) section 10, which provides generally that "the Board is authorized to issue such regulations...as the Board deems necessary or appropriate to enable the Board to administer and carry out the purposes of this section, and to require compliance therewith and prevent evasions thereof." (12 U.S.C. 1467a(g)(1)). With respect to mutual holding companies, HOLA states that a mutual holding company "shall be subject to such regulations as the Board may prescribe." (12 U.S.C. 1467a(o)(7)). Section 10 of HOLA also requires a savings and loan holding company to file "such reports as may be required by the Board" and provides that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require." (12 U.S.C. 1467a(b)(2)).

Forms 1681, 1682, and 1683 are distributed to the owners of the mutual holding company; no issues of confidentiality should arise in connection with these forms. One of the elements required for the application on Form 1680 is a consolidated business plan showing how the capital acquired in the conversion will be used. Business plans are not considered confidential, although the applicant may request confidential treatment pursuant to sections (b)(4), of the Freedom of Information Act (5 U.S.C. 552(b)(4),) for portions of the business plan if disclosure would likely result in substantial competitive harm. All such requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

Abstract: Sections 5(i) (standard conversions) and 5(p) (supervisory conversions) of HOLA authorize mutual to stock conversions. The four individual forms are all one-time submissions that are used by mutual holding companies requesting approval to convert to a stock institution. The Federal Reserve intends to update and revise the mutual stock conversion application forms to conform to Federal Reserve standards in the near future.

Current Actions: On June 17, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 34641) requesting public comment for 60 days on the extension, without revision, of the Application for Conversion, Proxy Statement, Offering Circular, and Order Form. The comment period for this notice expired on August 17, 2015. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

3. *Report title:* Savings and Loan Holding Company Application.

Agency form number: Form H-(e).

OMB control number: 7100-0336.

Frequency: On occasion.

Reporters: Entities seeking prior approval to become a savings and loan holding company (SLHC).

Estimated annual reporting hours: 6,000 hours.

Estimated average hours per response: 500 hours.

Number of respondents: 12.

General description of report: The Savings and Loan Holding Company Application is mandatory and authorized pursuant to section 10 of HOLA, which provides that “the Board is authorized to issue such regulations...as the Board deems necessary or appropriate to enable the Board to administer and carry out the purposes of this sections, and require compliance therewith and prevent evasions thereof.” (12 U.S.C. 1467a(g)(1)). Section 10 of HOLA also requires a savings and loan holding company to file “such reports as may be required by the Board” and provides that such reports “shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require (12 U.S.C. 1467a(b)(2).

The information on Form H-(e) is not considered confidential unless the applicant requests confidential treatment pursuant to exemption 4 or 6 of the Freedom of Information Act (5 U.S.C. 552(b)(4),(6)). All such requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

Abstract: The Federal Reserve analyzes each holding company application to determine whether the applicant meets the statutory criteria set forth in section 10(e) of the Home Owners' Loan Act (Act), as amended, to become a savings and loan holding company. The applications are reviewed for adequacy of answers to items and completeness in all material respects. The applications are event-generated and provide the Federal Reserve with information necessary to evaluate the proposed transaction. The Federal Reserve intends to update and revise the Application forms to conform to Federal Reserve standards in the near future.

Current Actions: On June 17, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 34641) requesting public comment for 60 days on the extension, without revision, of the Savings and Loan Holding Company Application. The comment period for this notice expired on August 17, 2015. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

4. *Report title:* Recordkeeping Requirements Associated with the Guidance on Sound Incentive Compensation Policies.

Agency form number: FR 4027.

OMB control number: 7100-0327.

Frequency: On occasion.

Reporters: State member banks, U.S. bank holding companies, savings and loan holding companies, Edge Act and agreement corporations, and the U.S. operations of foreign banks with a branch, agency, or commercial lending company in the United States.

Estimated annual reporting hours: One-time implementation: Large institutions: 2,400 hours and small institutions: 400 hours; Ongoing maintenance: 228,400 hours.

Estimated average hours per response: One-time implementation: Large institutions: 480 hours and small institutions: 80 hours; Ongoing maintenance: 40 hours.

Number of respondents: One-time implementation: Large institutions: 5 respondents and small institutions: 5 respondents; Ongoing maintenance: 5,710 respondents.

General description of report: This information collection is authorized pursuant to sections 9, 11(a), 11(i), 25, and 25A of the Federal Reserve Act (12 U.S.C. 248(a), 248(i), 324, 602, and 625), section 5 of the Bank Holding Company Act (12 U.S.C. 1844), section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)(2)), and section 7(c) of the International Banking Act (12 U.S.C. 3105(c)). Because the recordkeeping requirements are contained within guidance (and not a statute or regulation) they are voluntary. Because the records will be maintained by each banking institution, the Freedom of Information Act (FOIA) would only be implicated if the Board's examiners retained a copy of the records as part of an examination or supervision of the banking

institution. To the extent the Board collects this information during the course of an examination or supervision of a banking institution, the information is considered confidential under exemption 8 of the FOIA (5 U.S.C. 552(b)(8)). In addition, the information may also be kept confidential under exemption 4 of the FOIA which protects commercial or financial information obtained from a person that is privileged or confidential (5 U.S.C. 552(b)(4)).

Abstract: Incentive compensation practices in the financial services industry were one of many factors contributing to the financial crisis that began in 2007. Banking organizations too often rewarded employees for increasing the firm's short-term revenue or profit without adequate recognition of the risks the employees' activities posed for the firm. More importantly, problematic compensation practices were not limited to the most senior executives at financial firms. Compensation practices can encourage employees at various levels of a banking organization, either individually or as a group, to undertake imprudent risks that can significantly and adversely affect the risk profile of the firm.

The Sound Incentive Compensation Policies (the Guidance) was developed to help protect the safety and soundness of banking organizations and promote the prompt improvement of incentive compensation practices throughout the banking industry. In addition, the guidance is consistent with the Principles for Sound Compensation Practices adopted by the Financial Stability Board (FSB) in April 2009, as well as the Implementation Standards for those principles issued by the FSB in September 2009.

Compatibility with Effective Controls and Risk Management

Principle 2 of the Guidance states that a banking organization should have strong controls governing its process for designing, implementing, and monitoring incentive compensation arrangements. An organization's policies and procedures should:

- identify and describe the role(s) of the personnel, business units, and control units authorized to be involved in the design, implementation, and monitoring of incentive compensation arrangements;
- identify the source of significant risk-related inputs into these processes and establish appropriate controls governing the development and approval of these inputs to help ensure their integrity; and
- identify the individual(s) and control unit(s) whose approval is necessary for the establishment of new incentive compensation arrangements or modification of existing arrangements. Banking organizations also should create and maintain sufficient documentation to permit an audit of the organization's processes for establishing, modifying, and monitoring incentive compensation arrangements.

The Guidance also states that a banking organization should conduct regular internal reviews to ensure that its processes for achieving and maintaining balanced incentive compensation arrangements are consistently followed. Such reviews should be conducted by audit, compliance, or other personnel in a manner consistent with the organization's overall framework for compliance monitoring. An organization's internal audit department also should separately conduct regular audits of the organization's

compliance with its established policies and controls relating to incentive compensation arrangements. The results should be reported to appropriate levels of management and, where appropriate, the organization's board of directors.

Strong Corporate Governance

Principle 3 of the Guidance states that the board of directors should review and approve the overall goals and purposes of the firm's incentive compensation system. The board of directors should provide clear direction to management to ensure that its policies and procedures are carried out in a manner that achieves balance and is consistent with safety and soundness.

The board of directors should approve and document any material exceptions or adjustments to the incentive compensation arrangements established for senior executives and should carefully consider and monitor the effects of any approved exceptions or adjustments on the balance of the arrangement, the risk-taking incentives of the senior executive, and the safety and soundness of the organization.

The board of directors should receive and review, on an annual or more frequent basis, an assessment by management, with appropriate input from risk management personnel, of the effectiveness of the design and operation of the organization's incentive compensation system in providing risk taking incentives that are consistent with the organization's safety and soundness. These reports should include an evaluation of

whether or how incentive compensation practices may be encouraging excessive risk taking. These reviews and reports should be appropriately scoped to reflect the size and complexity of the banking organization's activities and the prevalence and scope of its incentive compensation arrangements. In addition, at banking organizations that are significant users of incentive compensation arrangements, the board should receive periodic reports that review incentive compensation awards and payments relative to risk outcomes on a backward-looking basis to determine whether the organization's incentive compensation arrangements may be promoting excessive risk-taking.

Current Actions: On June 23, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 35953) requesting comment for 60 days on the Recordkeeping Requirements Associated with the Guidance on Sound Incentive Compensation Policies. The comment period for this notice expired on August 24, 2015. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

5. *Report title:* Interagency Guidance on Managing Compliance and Reputation Risks for Reverse Mortgage Products.

Agency form number: FR 4029.

OMB control number: 7100-0330.

Frequency: On occasion.

Reporters: State member banks that originate proprietary and Home Equity Conversion Program (HECM) reverse mortgages.

Estimated annual reporting hours: Implementation of policies and procedures, 680 hours; Review and maintenance of policies and procedures, 136 hours.

Estimated average hours per response: Implementation of policies and procedures, 40 hours; Review and maintenance of policies and procedures, 8 hours.

Number of respondents: Implementation of policies and procedures, 17 respondents; Review and maintenance of policies and procedures, 17 respondents.

General description of report: Previously, the Board's Legal Division determined that the Board was authorized to issue this guidance pursuant to its authority under section 18(f) of the Federal Trade Commission Act, which authorized the Board to prescribe regulations regarding unfair or deceptive acts or practice by banks (15 U.S.C. 57a(f)) and section 105 of the Truth in Lending Act, which authorized the Board to prescribe regulations to carry out the purposes of the Truth in Lending Act (TILA) (15 U.S.C. 1604). However, under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) much of the Board's authority under these laws was transferred to the Consumer Financial Protection Bureau. Nonetheless, we continue to believe that the Board has the authority to issue this guidance pursuant to its authority under section 39 of

the Federal Deposit Insurance Act (FDI Act), which generally authorizes the Board to establish safety and soundness standards for depository institutions supervised by the Board (12 U.S.C. 1381p-1(a)). Financial institutions' obligation under this guidance is voluntary. Because the documentation required by the guidance is maintained by each institution, the Freedom of Information Act (FOIA) would only be implicated if the Board's examiners retained a copy of this information as part of an examination or supervision of a bank. However, records obtained as a part of an examination or supervision of a bank are exempt from disclosure under FOIA exemption (b)(8), for examination material (5 U.S.C. 552(b)(8)). In addition, the information may also be kept confidential under exemption 4 of the FOIA which protects commercial or financial information obtained from a person that is privileged or confidential (5 U.S.C. 552(b)(4)).

Abstract: Reverse mortgages are home-secured loans typically offered to elderly consumers. Financial institutions currently provide two types of reverse mortgage products: the lenders' own proprietary reverse mortgage products and reverse mortgages insured by the Department of Housing and Urban Development's Federal Housing Administration (FHA). Reverse mortgage loans insured by the FHA are made pursuant to the guidelines and rules established by HUD's HECM program. HECM loans and proprietary reverse mortgages are also subject to the rules that implement consumer protection laws such as the Real Estate Settlement Procedures Act (RESPA) and TILA.

In August 2010, the Federal Financial Institutions Examination Council, on behalf of its member agencies,¹ published a *Federal Register* notice adopting supervisory guidance titled “Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks.”² The guidance is designed to help financial institutions with risk management and assist financial institutions’ efforts to ensure that their reverse mortgage lending practices adequately address consumer compliance and reputation risks.

The guidance describes reporting, recordkeeping, and disclosures for both proprietary and HECM reverse mortgages. A number of these disclosures are “usual and customary” business practices for proprietary and HECM reverse mortgages, and these would not meet the PRA’s definition of “paperwork.” Other included disclosure requirements are currently mandated by RESPA or TILA for all reverse mortgage loans and information collections required by HUD’s rules for HECM loans.³ Discussion of these requirements in the guidance is also not considered additional paperwork burden imposed by the guidance.

Proprietary reverse mortgage products, however, are not subject to HUD’s rules for HECM loans. To the extent that the interagency guidance applies HECM requirements to proprietary loans, this would meet the PRA’s definition of paperwork burden.

¹ The Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

² 75 FR 50801.

³ OMB Control No. 2502-0524.

There are also additional provisions in the guidance that apply to both proprietary and HECM reverse mortgages that do not meet the “usual and customary” standard, are not covered by already approved information collections and, therefore, likewise meet the PRA’s definition of paperwork burden.

Proprietary Reverse Mortgages

Financial institutions offering proprietary reverse mortgages are encouraged under the guidance to follow or adopt relevant HECM requirements for mandatory counseling, disclosures, affordable origination fees, restrictions on cross-selling of ancillary products, and reliable appraisals.

Proprietary and HECM Reverse Mortgages

Financial institutions offering either proprietary or HECM reverse mortgages are encouraged to develop clear and balanced product descriptions and make them available to consumers shopping for a mortgage. They should set forth a description of how disbursements can be received and include timely information to supplement disclosures mandated by TILA and other disclosures. Promotional materials and product descriptions should include information about the costs, terms, features, and risks of reverse mortgage products.

Financial institutions should adopt policies and procedures that prohibit directing a consumer to a particular counseling agency or contacting a counselor on the consumer’s behalf. They should adopt clear written policies and establish internal controls specifying that neither the lender nor any broker will require the borrower to purchase any other

product from the lender in order to obtain the mortgage. Policies should be clear so that originators do not have an inappropriate incentive to sell other products that appear linked to the granting of a mortgage. Legal and compliance reviews should include oversight of compensation programs so that lending personnel are not improperly encouraged to direct consumers to particular products.

Financial institutions making, purchasing, or servicing reverse mortgages through a third party should conduct due diligence and establish criteria for third-party relationships and compensation. They should set requirements for agreements and establish systems to monitor compliance with the agreement and applicable laws and regulations. They should also take corrective action if a third party fails to comply. Third-party relationships should be structured in a way that does not conflict with RESPA.

Current Actions: On June 23, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 35953) requesting comment for 60 days on the Supervisory Guidance on Managing Compliance and Reputation Risks for Reverse Mortgage Products. The comment period for this notice expired on August 24, 2015. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

Board of Governors of the Federal Reserve System, September 8, 2015.

Robert deV. Frierson,
Secretary of the Board.

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